

## Message Text

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ACTION MMO-04

INFO OCT-01 ARA-14 EUR-12 ISO-00 AID-05 CIAE-00  
COME-00 EB-08 FRB-01 INR-10 NSAE-00 ICA-20  
TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01  
AGR-01 CEA-01 DODE-00 H-02 INT-05 L-03 NSC-05  
PA-02 CTME-00 SS-15 STR-07 ITC-01 SOE-02 DOE-15  
/152 W

-----057526 181418Z /45

R 181124Z APR 78  
FM AMEMBASSY BRIDGETOWN  
TO SECSTATE WASHDC 5176  
INFO AMEMBASSY GEORGETOWN  
AMEMBASSY KINGSTON  
AMEMBASSY LONDON  
AMEMBASSY PORT OF SPAIN

UNCLAS SECTION 1 OF 2 BRIDGETOWN 1059

E.O. 11652: N/A  
TAGS: ECRP, BB  
SUBJECT: THE PRIME MINISTER'S BUDGET

REF: CERP 0200

1. BEGIN SUMMARY - ON APRIL 12, PRIME MINISTER J.M.G. "TOM"  
ADAMS PRESENTED HIS BUDGET FOR THE FISCAL YEAR BEGINNING  
APRIL 1, 1978. THE RECOMMENDATIONS SEEMED TO ACCOMPLISH THE  
DELICATE FEAT OF COMBINING GOOD ECONOMICS WITH GOOD POLITICS.  
WHEN ALL WAS SAID AND DONE, HARDLY ANYBODY SEEMED MUCH  
DISTURBED EXCEPT THE LEADER OF THE OPPOSITION (WHO IN ANY  
EVENT HAD BEEN INTENDING TO RESIGN FOR SOME TIME) AND THE  
GUZZLERS OF GASOLINE AND RUM, WHO HAD THE EXCISES RAISED  
ON THEIR PRODUCTS OF CHOICE. ABOUT FIVE MINUTES BEFORE THE  
PM BEGAN, FORMER PRIME MINISTER ERROL BARROW, WHO WILL NOW  
BECOME THE LEADER OF THE OPPOSITION, ARRIVED FROM THE UNITED  
STATES, WHERE HE HAS BEEN A VISITING PROFESSOR AT YALE  
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UNIVERSITY. THE BUDGET WAS ADOPTED BY THE HOUSE. END  
SUMMARY.

2. THE APPROVED BUDGET - (ALL DOL FIGURES IN THIS REPORT ARE  
IN DOLS US. ONE US\$ EQUALS ABOUT TWO BARBADIAN DOLLARS).  
THE 1978-79 FIGURES ADOPTED BY THE HOUSE OF ASSEMBLY (MILLIONS  
OF DOLS) ARE PRESENTED BELOW, FOLLOWED IN EACH INSTANCE BY THE

FIGURE FOR 1977 -78 IN PARENTHESES: CURRENT EXPENDITURE - 149.0 (135.7); CAPITAL EXPENDITURE - 42.0 (38.6); TOTAL PUBLIC EXPENDITURE - 191.0 (174.3); TOTAL PUBLIC REVENUE - 129.0 (126.0); TOTAL PUBLIC DEFICIT - 62.0 (48.3).

3. MINUSES AND PLUSES - ADAMS ANNOUNCED THAT THERE WILL BE NO INCREASES IN DIRECT TAXATION THIS YEAR. HE INDICATED THAT THERE WILL BE CERTAIN TAX BREAKS; E.G., FOR WORKING WIVES, EMPLOYERS OF GARDENERS, AND RESIDENT TAXPAYERS WITH AN INCOME OF LESS THAN \$3,000 A YEAR. THE CONSUMPTION TAX ON ITEMS IN 13 TARIFF POSITIONS (SUCH AS HANDKERCHIEFS, NECKTIES, UMBRELLAS, CARPETS, GLOVES AND SOME OTHER PRODUCTS NOT EXTENSIVELY UTILIZED IN ANY CASE) WILL BE RAISED. THE EXCISE DUTY ON A FEW ALCOHOLIC PRODUCTS, INCLUDING RUM, WILL BE INCREASED. (WITH REGARD TO THE LATTER, THE PM OR SOME BACHELOR OF ARTS ON HIS STAFF NOTED IN POETRY THAT RHYMED BUT DID NOT SCAN THAT "THE TIME OF RUM HAS COME.") THE INTERNAL TAX ON GASOLINE WAS RAISED. THE CUSTOMS DUTY, EXCEPT ON ITEMS IMPORTED FROM CARICOM COUNTRIES, WAS INCREASED ON PRODUCTS UNDER EIGHT TARIFF HEADINGS; SUCH AS JAMS, SOAPS, VINEGAR AND GIN.

4. GENERAL ECONOMIC CONDITIONS AND PROBLEMS - THE PM INDICATED THAT THE CONOMY OF BARBADOS EXPERIENCED A FAIR MEASURE OF REAL GROWTH IN 1977, AMOUNTING TO AN UNCLASSIFIED

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INCREASE IN REAL OUTPUT OF ABOUT FIVE PERCENT OVER THE 1976 LEVEL. TOURISM GREW BY 19 PERCENT, SUGAR PRODUCTION BY 15.7 PERCENT, AND MANUFACTURES BY 2.9 PERCENT. THE NOMINAL VALUE OF THE GROSS DOMENSTIC PRODUCT (GDP) AT MARKET PRICES WAS ESTIMATED AT \$428.7 MILLION IN 1977, AN INCREASE OF 13 PERCENT OVER THE PREVIOUS YEAR. THE NOMINAL VALUE OF THE GDP AT FACTOR COST WAS ESTIMATED AT \$380.0 MILLION.

MR. ADAMS IDENTIFIED THE PRINCIPAL ECONOMIC PROBLEMS OF BARBADOS AS GOVERNMENT FINANCES, THE EXTERNAL BALANCE OF PAYMENTS, UNEMPLOYMENT, AND INFLATION. NOTING THAT IN 1977-78 AND 1978-79 THE GOVERNMENT FACES CURRENT AND CAPITAL DEFICITS ON THE ORDER OF 12 TO 14 PERCENT OF THE GDP, HE HELD OUT NO HOPE OF TAKING CARE OF THE DEFICIT ENTIRELY BY TAXATION. HE INDICATED THAT THE DEFICIT IN THE BALANCE OF PAYMENTS WAS ABOUT US\$10 MILLION IN 1977 (A SUM WHICH THE EMBASSY HAS PREVIOUSLY REPORTED). HE PLACED THE AVERAGE RATE OF UNEMPLOYMENT AT 15.6 PERCENT IN 1977, IN COMPARISON WITH 15.7 PERCENT IN 1976. THERE WAS A RESURGENCE OF INFLATIONARY PRESSURE LAST YEAR, AS THE INCREASE IN THE RETAIL PRICE INDEX ASCENDED TO 9.9 PERCENT AT THE

END OF 1977 FORM 3.9 PERCENT AT THE CLOSE OF THE PREVIOUS YEAR.

5. THE GOVERNMENT'S APPROACH TO THE ECONOMY - LOOKING AT THE FISCAL YEAR AHEAD, MR. ADAMS SAID THE GOVERNMENT'S

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UNCLAS SECTION 2 OF 2 BRIDGETOWN 1059

E.O. 11652: N/A

ECONOMIC STRATEGY WILL BE TO CONTINUE TO IMPLEMENT A PACKAGE OF POLICIES THAT HAVE ALREADY RESULTED IN SIGNIFICANT IMPROVEMENTS IN THE ECONOMY IN GENERAL AND THE BALANCE OF PAYMENTS IN PARTICULAR. BECAUSE OF THE RELATIONSHIP BETWEEN THE RATE OF EXPANSION OF DOMESTIC CREDIT, THE SIZE OF THE DEFICIT IN THE PUBLIC SECTOR, AND THE RATE OF WAGE INCREASES AND MOVEMENTS IN FOREIGN RESERVES, THE MEASURES INVOLVED INCLUDE THE AREAS OF MONETARY POLICY, FISCAL POLICY, IMPORT CONTROLS, AND INCOMES AND PRICES POLICY. THE OBJECTIVE OF MONETARY POLICY WILL BE TO CONTROL THE TOTAL AMOUNT OF CREDIT CREATED, AND TO ASSURE THAT ITS ALLOCATION FAVORS THE PRODUCTIVE SECTORS RATHER THAN PRIVATE CONSUMPTION. WITH REFERENCE TO FISCAL POLICY, THE BUDGETARY DEFICIT WILL AS FAR AS POSSIBLE BE FINANCED BY FOREIGN LOANS AND LOCAL BORROWINGS FROM THE PRIVATE SECTOR RATHER THAN CREATION OF MONEY BY THE CENTRAL BANK.

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AS A COMPLEMENT TO MONETARY AND FISCAL POLICY, THE GOVERNMENT CONSIDERS IMPORT CONTROLS OF MAJOR IMPORTANCE. THE WORK OF THE EXISTING IMPORT CONTROL LICENSING COMMITTEE HAS PROVEN AN EFFECTIVE VEHICLE IN THIS CONNECTION. THE FOURTH ELEMENT OF THE MAIN MIX OF POLICIES CONCERNS INCOMES AND PRICES. CONSULATATION WILL BE PURSUED IN AN EFFORT TO REACH A CONSENSUS ON PRICES, INCOMES AND PROFITS; BUT THE GOVERNMENT WILL TAKE UNILATERAL LEGISLATIVE ACTION IF NECESSARY.

6. MORE URGENT MATTERS - PROMISING THAT A GOVERNMENT WHITE PAPER SETTING OUT DEVELOPMENT STRATEGY WILL BE LAID BEFORE PARLIAMENT WITHIN A FEW MONTHS, THE PM CALLED FOR MORE URGENT ACTION IN CERTAIN AREAS. IN PARTICULAR HE CITED THE NEED FOR (A) INTRODUCTION OF NEW INCENTIVES TO AUGMENT PRIVATE SAVINGS; (B) ADDITIONAL PARTICIPATION BY THE GOVERNMENT IN INFRASTRUCTURE PROJECTS, IN ORDER INTER ALIA TO EXPAND EMPLOYMENT AND INCOME; (C) INVESTMENT IN EXPANSION OF EXISTING PLANT IN THE PRIVATE SECTOR; (D) SEEKING WAYS OF INCREASING THE INFLOW OF PRIVATE FOREIGN CAPITAL; (E) EXPANSION AND DIVERSIFICATION OF EXPORTS OF GOODS AND SERVICES, INCLUDING OFFSHORE BANKING; (F) ADDITIONAL TRAINING WITHIN INDUSTRY; AND (G) MORE EXTENSIVE IMPORT SUBSTITUTION, ESPECIALLY WITH RESPECT TO FOODSTUFFS.

7. BUDGET ESTIMATES - THE DETAILED, PRINTED BUDGET ESTIMATES WILL BE SUBMITTED SEPARATELY BY AIRGRAM THIS WEEK. ORTIZ

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## Message Attributes

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**Channel Indicators:** n/a  
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**Type:** TE  
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